



### **QUARTERLY MEETING**

Tuesday, December 9, 2008  
California State Capitol, Room 447  
10<sup>th</sup> and L Streets  
Sacramento, CA 95814  
10:00 a.m. – 12:30 p.m.

### **MEETING MINUTES**

A meeting of the California Commission for Economic Development was held on December 9, 2008.

#### **Commission Members Present**

Hector Barreto, Omar Benjamin, Virginia Chang Kiraly, Daniel Curtin, Lt. Governor John Garamendi, Forescee Hogan-Rowles, Tom Nassif, Assembly Member Lori Saldana, Aubry Stone, Ashley Swearengin

#### **Commission Members Not Present**

David Crane, Sen. Bob Dutton, Demos Vardiabasis, Sen. Leland Yee

#### **Others in Attendance**

CED staff: Executive Director Richard Baum, Deputy Director Michele Gault, Consultant Leslie Tamminen

#### **I. Welcome and Introductions**

Lt. Governor John Garamendi called the meeting to order at approximately 10:15 a.m. He thanked the Commissioners for their engagement during the year and thanked the advisory committee members for their work. He said that he has attended most of the advisory committee meetings and they have been very informative. He stated that one of the main tasks today is to review the work of the committees and to opine on their recommendations. In addition, the CED will also discuss the current budget crisis, which is pertinent to the Commission's work. The Commissioners introduced themselves.

#### **II. Executive Director's Report**

CED Executive Director Richard Baum provided an update of CED and staff activities since the last commission meeting in September. He stated that the CED has continued to explore the impact of climate change on the state's economy. The Lt. Governor and staff attended the Solar Power International conference in San Diego in October, and last month (November) the Lt. Governor chaired the California Roundtable on Climate Change at Cavallo Point in Sausalito. This roundtable addressed a number of issues related to California's leadership in climate change solutions. CED staff worked on regional economic development strategies, attending a number of events in the Bay Area, Sacramento, Chico, and other locations. With respect to the regional work, a lot of the effort is now looking at how various regions in the state can come together and support and develop policy that we believe will find its way to statewide efforts, but increasingly, regions are the place where real economic development policy is being established. Finally, the CED has continued our support of the Consular Corps – staff attended a public-private partnership infrastructure financing roundtable put on by the British Consulate

and met with a British Columbia delegation in Sacramento and were engaged with the Chinese and Taiwanese national day celebrations. CED staff also met with a Japanese government delegation at the State Capitol. Staff also attended the Latino Caucus Economic Development Summit in San Francisco and the US Hispanic Chamber of Commerce national convention that was held in Sacramento. Day to day activities have been focused on working with various advisory committees to get their recommendations in order, and those will be translated into a key part of the annual report, which will be delivered to the Governor and Legislature.

The Lt. Governor reviewed briefly the tasks and goals that the CED established last year, with a focus on workforce development. He asked Commissioners to keep these in mind when listening to the advisory committee recommendations.

## **II. Advisory Committee Presentations**

### **i. Aerospace Committee**

Andrea Seastrand, Aerospace Advisory Committee Chair, provided a PowerPoint presentation that gave an overview of the aerospace industry in the state, and then outlined a number of specific recommendations. Ms. Seastrand noted that committee member Susan Sloan, VP of Mission Assurance for Raytheon, was in the audience. The aerospace advisory committee's recommendations fell into several broad categories: 1) recognize and celebrate CA aerospace industry, companies and infrastructure; 2) support air and space companies and infrastructure stakeholders; 3) leverage statewide air/space technologies to address CA priorities; and 4) ensure global innovation edge through CA aerospace retention and growth. [see full text of recommendations at <http://ced.ca.gov>] Commission members had a number of comments and questions for Ms. Seastrand. Issues discussed included export license controls as they pertain to aerospace products; industry participation in promoting science, technology, engineering and math (STEM) in high schools; impact of budget cuts on education; and efforts to involve low-income, inner-city students.

### **ii. Agriculture Committee**

CED Vice Chair Tom Nassif presented the Agriculture Advisory Committee's findings. He explained that the presentation was compiled by 8 different subcommittees on issues of agriculture that are really important. The subcommittees have put together a collective message of what is important to the entire industry. The entire presentation is available on the CED website. The recommendations deal with the broad issues of immigration and farm labor, legislative and regulatory compliance, water, and energy. The Agriculture Advisory Committee recommendations to the commission are as follows:

- 1) Seek the public support of Governor Arnold Schwarzenegger, Lt. Governor John Garamendi and the California Congressional Delegation for immigration reform for agriculture.
- 2) Support federal comprehensive immigration reform, as opposed to federal agency or individual state solutions to the immigration problem.
- 3) Support a policy that requires all environmental regulations that impact agriculture to be based on the latest and most relevant research in the areas of science and technology, conducted by credible third party sources and peer-reviewed by academia.
- 4) Support the creation of a mechanism to coordinate the legislative and regulatory activities of the administration, legislature, and various regulatory bodies (e.g. air and water quality boards).

- 5) Support a policy that requires that an economic impact study (to be paid for by the interested regulatory body) be conducted for all proposed environmental regulations that affect agriculture.
- 6) Support the creation of an advisory committee, appointed by the Governor and representative of key agricultural stakeholders, to review and provide input on all proposed environmental, occupational safety, wage/hour and other regulations that affect agriculture.
- 7) Support the development of additional water supplies through the construction of Delta conveyance and surface and groundwater storage facilities.
- 8) Support reform of the federal and state Endangered Species Act to provide judges with the ability to balance environmental regulations with the water needs of California consumers, both rural and urban, taking economic impacts into consideration.
- 9) Support public policy measures that promote and expand urban and agricultural water use efficiency programs.
- 10) Support current outreach programs aimed at educating policy makers and the general public about water conservation efforts of California agriculture.
- 11) Support the expansion of hydroelectric power and the development of alternative clean energy sources, including but not limited to nuclear power, liquid natural gas, solar, wind and biofuels.

Commissioners asked a number of questions and discussed a number of issues, including the following: prioritizing the recommendations, current federal immigration policy, water as a major priority, water recycling, and regulatory cost impacts. It was recommended that the CED work together with the legislative committees that deal with agriculture issues. Mr. Baum suggested that the CED's annual report would be a good starting point for communicating some of these policy concerns to the legislature and its committees.

**iii. Biotechnology Committee** – Committee Chair, Commissioner Virginia Chang Kiraly, gave a presentation that highlighted the committee recommendations.

She stated that the biotech committee has tried to make it so that recommendations had the least amount of fiscal impact possible. The recommendations focused on six areas: 1) Corporate Tax Treatment 2) Education and Workforce 3) Regulatory Barriers 4) Public-Private Collaboration 5) state Strategy 6) Technology Transfer. (The full text is available on the CED website). Commissioner Chang Kiraly stated that these recommendations put forth will keep California competitive so that the state can continue to grow. They are vital to the economy and to job creation.

Tom Nassif asked about how the science and technology trust would be funded. Commissioner Chang Kiraly referred the question to Evan Siegel, president and CEO of Ground Zero Pharmaceuticals, who is a member of the biotechnology advisory committee. Mr. Siegel explained that the issue is putting together resources so that there is a future potential for funding the initiatives. Not the idea of taking state money and moving it into the industry, it's more of a fund for a process that may take up to 15 years. The idea is to create a cooperative trust that would fund investments and innovations that would eventually fall back into the state. This is connected to the idea of actually having an ability to offer tax incentives in return for profits running back into state. Discussion continued and it was agreed upon that this trust sounded more like a revolving fund, a give back program. All of the biotech industry operates in the deficit for an extended period of time. People get into the industry because they are interested in profitability. But the payback, in terms of the state coffers later on, the growth of new jobs, is massive in the industry as long as it can sustain itself. Many times, jobs and ideas in this industry fail because they can't stay alive for those first few critical years.

Discussion included the following issues: urgency of the state to support the biotech industry and retain jobs and investment; the importance of a well-educated workforce to support the biotech industry; how to provide some targeted incentives to the industry; and the need for the private sector to partner with the education community.

**iv. Goods Movement and International Trade Committee** – Commissioner Omar Benjamin presented the Goods Movement/International Trade committee recommendations, which included expanding public/private partnerships, the need to expedite environmental initiatives, streamline CEQA and other regulations for infrastructure projects, and continue to build a quality workforce. (see full document on CED website).

Commissioner Hector Barreto inquired further about international trade, noting that most exporters are small businesses. He said that assisting them in opening up new markets is very important. He asked if the committee considered looking at other trade agreements such as Colombia and Panama, and he asked if the committee would consider taking a position on those pending free trade agreements. Omar Benjamin replied and said that South Korea was used as an example, and that there are some challenges as far as the Colombia FTA is concerned, and that those are being worked through.

**v. Tourism and Entertainment Committee** – CED staff consultant Leslie Tamminen provided a briefing on the committee's activities, in the absence of Committee Chair and CED Commissioner Demos Vardiabasis.

Ms. Tamminen stated that the committee would like to make a report with collected data to focus and talk about where the industry has the most economic impact. It is essential to recognize that this industry affects areas outside of Los Angeles County. It is important that legislators recognize the importance of this industry in all regions. There is already a public partnership with Pepperdine School of Economics in place and the committee is interested in pursuing this. Entertainment is defined as the film industry, electronic media, video gaming, etc.

The Lt. Governor mentioned that the entertainment industry is huge in California. With respect to the movie industry, we want to find ways to keep movie making and production here in the state. In regard to the other facets of this industry, we want to find ways to further incorporate it into the California economy.

### **Discussion**

The Commissioners discussed how to involve low income communities in economic development. It was noted that there is a great deal of talent in these communities and that it is important to make sure that the people in those communities are not overlooked. Is there anything that can be done to make sure that this population doesn't get lost in the shuffle?

The Lt. Governor suggested a full discussion of these issues at a further date. He discussed how to process all of the advisory committee recommendations. Early on, the commission decided that advisory committees would be extremely important. They are extraordinarily important in developing info and they are pulling from diverse sectors from each individual area, people who have knowledge and ideas about how to address problems in those sectors. One of the things that the CED could do is try to look through each and every one recommendation and determine whether or not that is the specific recommendation or one that can be applied to all of the other advisory committees. He suggested that over the next month, we together, ferret out from all recommendations, a number of common themes that we can articulate as specific

policies of the commission. And in our annual report, put in as an appendix the work of the advisory committees so that it's presented to the administration and legislature in full form. He acknowledged that some of the recommendations may be controversial.

Tom Nassif emphasized the need to include regulatory concerns as a common theme for the recommendations.

The Lt. Governor said that the work of the advisory committees cannot be limited to just the people in this room. It is important to spread this information out to the administration. We need to search for ways to integrate the advisory committees into the work of the administration and legislature. We also have to increase the membership of the commission itself and recommend that advisory committees meet with pertinent bodies, hold hearings to hear specific pieces of legislation that are relevant to the advisory committees.

The Lt. Governor asked the Commissioners to talk about issues that are most important to them. The following were mentioned: promoting public-private partnerships and collaboration as a way to stimulate the economy; align the state's interests with what's happening at the federal level; developing an annual economic development conference; communicate the value of these key industries and their importance to the state's economy; and improve outreach to the public schools.

Commissioner Daniel Curtin stated that the commission will vote on thematic recommendations that will be included as an addendum to the report. Part of that report will be the individual recommendations from each advisory committee. The Commission will not specifically endorse each recommendation but will choose 5-6 themes that come up from the recommendations. There will be the specific recommendations that the commission will endorse and put forward but there will also be included (not endorsed) the recommendations of all the advisory committees. People who make these recommendations are highly knowledgeable in these areas. It is not that the commission itself approved every single recommendation but the subcommittee did and that information will be provided to the governor and the admin in case people are looking for those recommendations. If this commission puts together a rational set of recommendations on regulatory issue we will have taken a major step forward.

The Lt. Governor stated that the Commission will make sure that each of the advisory committees' reports are distributed to the relevant agencies and the relevant committees of the legislature.

Rick Baum said that we will come up with 5-6 themes, distribute them to all of the commissioners, get feedback, redraft it to reflect final consensus, then send it out, and we need to do it by unanimous vote. He made the Commissioners aware of some changes being made to the advisory committees. Frances Fisher has been nominated to the tourism and entertainment committee. There has also been a request to transfer Paul Lam from the Goods Movement to the Entertainment and Tourism committee. Also, Carl Engle will be added to the Biotech committee [note: Mr. Engle is replacing Joan Chu from the Monitor Group].

The Commissioners approved these motions.

The Lt. Governor mentioned the current budget situation and asked the Commissioners to engage as they would like in the current budget debates.

He stated that California is being hit very hard economically. Please point out that we have had cuts and cuts and cuts. That's not being expressed and considered yet, how much has already been cut. Over 8 billion dollars from a wide array of programs have been cut this year. So when we go to talk to people, and they ask what has happened to all our funds, tell them that there have been major cuts and that it is a complicated process.

The Lt. Governor adjourned the meeting at approximately 12:30 p.m.

Meeting minutes submitted by Michele Gault, December 23, 2008

Approved: April 29, 2009